

BANK INDONESIA REGULATION  
NUMBER 21/11/PBI/2019  
ON  
CENTRAL COUNTERPARTIES  
FOR OVER-THE-COUNTER INTEREST RATE  
AND EXCHANGE RATE DERIVATIVE TRANSACTIONS

BY THE BLESSINGS OF ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

- Considering:
- a. that Bank Indonesia aims to achieve and maintain rupiah stability by determining and implementing the policy of monetary, macroprudential, as well as rupiah payment and management system, supported among others by financial market with integrity and efficient.
  - b. that to achieve integrated, efficient, orderly, organized, and transparent financial market, a central counterparty institution is needed to conduct clearing and novation for over-the-counter interest rate and exchange rate derivative transactions;
  - c. that to establish a central counterparty institution with integrity, good governance, and effective risk management to minimize systemic risks in the financial market, the roles of Bank Indonesia are needed in regulating, licensing, and supervising the central counterparties institution.
  - d. that based on the foregoing considerations as referred to in point a, point b, and point c, it is necessary to issue Bank

Indonesia Regulation on Central Counterparties for Over-the-Counter Interest Rate and Exchange Rate Derivative Transactions;

- Observing:
1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as several times amended last by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
  2. Law Number 24 of 1999 on Foreign Exchange Flow and Exchange Rate System (State Gazette of the Republic of Indonesia of 1999 Number 67, Supplement to State Gazette of the Republic of Indonesia Number 3844);

HAS DECIDED:

To enact: BANK INDONESIA REGULATION ON CENTRAL COUNTERPARTIES FOR OVER-THE-COUNTER INTEREST RATE AND EXCHANGE RATE DERIVATIVE TRANSACTIONS.

## CHAPTER I GENERAL PROVISIONS

### Article 1

In this Bank Indonesia Regulation:

1. Interest Rate Derivative Transaction means a transaction under a payment contract or agreement whose value

constitutes a derivative of an interest rate.

2. Exchange Rate Derivative Transaction means a transaction under a payment contract or agreement whose value constitutes a derivative of an exchange rate.
3. Over-the-Counter Interest Rate and Exchange Rate Derivative Transaction, hereinafter referred to as SBNT Derivative Transaction, means an Interest Rate and Exchange Rate Derivative Transaction conducted over-the-counter.
4. Central Counterparty for Over-the-Counter Interest Rate and Exchange Rate Derivative Transaction, hereinafter referred to as CCP SBNT, means an institution which interpose itself between parties conducting SBNT Derivative Transactions and acts as a buyer for a seller and as a seller for a buyer.
5. Novation or Debt Renewal, hereinafter referred to as Novation, means a process of termination of the initial contract between a buyer and a seller and substitution with two new contracts, namely CCP SBNT and the buyer and CCP SBNT and the seller.
6. Clearing means a process after a transaction is made, the process of which covers reconciling, confirming, and calculating the rights and obligations of the parties, including netting calculation that shows the final position of the rights and obligations of the parties prior to settlements.
7. Member of CCP SBNT, hereinafter referred to as Member, means a party eligible for using Clearing services based on the criteria established by the CCP SBNT.
8. Financial Market Infrastructure means a multilateral system providing services for trade, clearing, settlement, reporting, and recording of payment, securities, derivative, and other financial transactions.

9. Bank means a commercial bank carrying on its business activities in a conventional manner as referred to in the Law on Banking and a commercial bank carrying on its business in adherence to sharia principles as referred to in the Law on sharia banking, including the branch office of a bank overseas but excluding a Bank's office operating overseas.
10. Default Fund Contribution means funds deposited by a Member into CCP SBNT as part of risk mitigation in the event of the Member's default.
11. Initial Margin means funds and/or securities deposited by a Member when it aims to conduct an SBNT Derivative Transaction to mitigate potential change of the Member's position in the event of default.
12. Variation Margin means funds and/or securities deposited by a Member on exposures arising from the changing mark-to-market price of an SBNT Derivative Transaction.

## CHAPTER II FUNCTIONS OF CCP SBNT

### Article 2

CCP SBNT shall perform the following functions:

- a. Novation;
- b. Clearing arrangement; and
- c. Risk management,

of SBNT Derivative Transactions.

CHAPTER III  
LICENSE FOR CCP SBNT

Part One  
Requirements for CCP SBNT

Article 3

- (1) Any party that carries on business activities as a CCP SBNT is required to first obtain a license from Bank Indonesia.
- (2) The party that submits a license application to become a CCP SBNT must meet the following requirements:
  - a. is a limited liability company;
  - b. meets the minimum capital;
  - c. meets a share ownership composition; and
  - d. has reliable and safe infrastructures.

Article 4

- (1) The limited liability company as referred to in Article 3 paragraph (2) point a must at least have the following:
  - a. 1 (one) independent commissioner; and
  - b. 1 (one) director of CCP SBNT.
- (2) The director of CCP SBNT as referred to in paragraph (1) point b may concurrently act as a director of another field with the approval of Bank Indonesia.
- (3) The approval of Bank Indonesia as referred to in paragraph (2) will be granted upon considering the scale and complexity of business activities of the CCP SBNT.

#### Article 5

- (1) The minimum capital as referred to in Article 3 paragraph (2) point b amounts to Rp400,000,000,000.00 (four hundred billion rupiah).
- (2) The minimum capital as referred to in paragraph (1) is calculated based on business and risk characteristics of a CCP SBNT.
- (3) The minimum capital as referred to in paragraph (1) is fulfilled under the following conditions:
  - a. at the time of the principal approval application, the paid-up capital must at least reach 50% (fifty percent) of the minimum capital; and
  - b. at the time of the operating license application, the minimum capital must reach 100% (one hundred percent).

#### Article 6

- (1) Bank Indonesia may review the minimum capital amount as referred to in Article 5 paragraph (1).
- (2) Bank Indonesia may request shareholders of a CCP SBNT to adjust the capital of the CCP SBNT by considering risk profile and/or the condition of activities of the CCP SBNT .
- (3) In the event that the capital of the CCP SBNT decreases to be less than the minimum capital as referred to in Article 5 paragraph (1), the CCP SBNT is required to:
  - a. meet the remaining minimum capital within not later than 1 (one) year as of the minimum capital decrease; and
  - b. submit a report to Bank Indonesia on the latest condition of the minimum capital and an action plan for minimum capital fulfillment.
- (4) The action plan for minimum capital fulfillment as referred

to in paragraph (3) point b must be approved by Bank Indonesia.

#### Article 7

The fund used for the minimum capital fulfillment shall not come from a loan or financing facility in any form and/or from and for money laundering purposes.

#### Article 8

- (1) The share ownership composition as referred to in Article 3 paragraph (2) point c is required to comply with the following provisions:
  - a. must be fully owned by an Indonesian citizen and/or legal entity; or
  - b. must be owned by an Indonesian citizen and/or legal entity with a foreign citizen and/or legal entity with maximum ownership of the foreign citizen and/or legal entity of 49% (forty-nine percent) of the paid-up capital.
- (2) The ownership calculation of a foreign citizen and/or foreign legal entity as referred to in paragraph (1) point b to include direct and indirect ownership according to the assessment of Bank Indonesia.

#### Article 9

- (1) The reliable and safe infrastructure requirement as referred to in Article 3 paragraph (2) point d must at least include the following:
  - a. has the sufficient capacity of Clearing SBNT Derivative Transactions;
  - b. has a security level which meets national and/or international security standards; and
  - c. has sufficient risk management.

- (2) The infrastructure placement area as referred to in paragraph (1) refers to the laws and regulations on information and electronic transactions.

#### Article 10

Further provisions on CCP SBNT requirements shall be regulated in a Regulation of Member of Board of Governors.

#### Part Two

##### License Grant Mechanism

#### Article 11

The license for CCP SBNT as referred to in Article 3 paragraph (1) shall be granted in the following 2 (two) phases:

- a. principle approval; and
- b. operating license.

#### Part Three

##### Principle Approval

#### Article 12

- (1) Application to obtain the principle approval as referred to in Article 11 point a must be submitted in writing to Bank Indonesia by one of the members of the board of directors.
- (2) The party that intends to apply for the principle approval as referred to in paragraph (1) must meet the following requirements:
  - a. has a deed of incorporation including articles of association which have been approved by the authorized institution;
  - b. has paid-up capital in a minimum amount of 50% (fifty percent) of the minimum capital as referred to in Article



- 5 paragraph (1);
- c. has a share ownership structure;
  - d. has at least 1 (one) independent commissioner;
  - e. has at least 1 (one) candidate for director who will be responsible for CCP SBNT;
  - f. has an organization composition, structure and human resource plan;
  - g. has a business plan for the first 3 (three) years;
  - h. has a long-term strategic corporate plan;
  - i. has a concept of risk management guideline, internal control system plan, information technology system plan, and guideline for governance implementation;
  - j. has a work system and procedure; and
  - k. meets any other administrative requirements determined by Bank Indonesia.

### Article 13

- (1) Bank Indonesia may approve or reject the principle approval application as referred to in Article 12 paragraph (1).
- (2) In the approval or rejection as referred to in paragraph (1), Bank Indonesia will at least consider the following:
  - a. review result of completeness and compliance of documents;
  - b. analysis result of the requirements as referred to in Article 12 paragraph (2); and
  - c. confirmation result and/or information from the relevant and authorized institution, if necessary.
- (3) Bank Indonesia may request any party that submits the application as referred to in Article 12 paragraph (1) to make a presentation on the overall implementation plan of CCP SBNT.

#### Article 14

- (1) The approval for or rejection of the principle approval application as referred to in Article 13 paragraph (1) shall be granted not later than 90 (ninety) working days upon receipt of complete and compliant documents.
- (2) The principal approval as referred to in paragraph (1) will be valid for 2 (two) years as from the principal approval issuance date.
- (3) In the event that until the expiration of the principle approval validity as referred to in paragraph (2), a party who has obtained a principle approval has not submitted the operating license application to Bank Indonesia, the principle approval issued by Bank Indonesia will be declared ineffective.

#### Article 15

The party as referred to in Article 12 paragraph (2) who has obtained the principle approval as referred to in Article 13 paragraph (1) shall be prohibited from any business activity as a CCP SBNT prior to obtaining an operating license.

#### Article 16

Further provisions on the requirements, supporting documents, and mechanism for principle approval application submission shall be regulated in a Regulation of Member of Board of Governors.

Part Four  
Operating License

Article 17

- (1) Application to obtain the operating license as referred to in Article 11 point b must be submitted in writing to Bank Indonesia by one of the members of the board of directors.
- (2) The party that intends to apply for the operating license as referred to in paragraph (1) must meet the following requirements:
  - a. has a valid principle approval from Bank Indonesia;
  - b. has the minimum capital as referred to in Article 5 paragraph (1);
  - c. has a draft rule book on CCP SBNT ;
  - d. has operational readiness evidence;
  - e. has articles of association containing:
    1. requirements that appointment of an independent commissioner and director of CCP SBNT must obtain the prior approval of Bank Indonesia; and
    2. an organization structure containing composition of the board of commissioner and board of directors, which at least consists of 1 (one) independent commissioner and 1 (one) director of CCP SBNT;
  - f. fulfills the requirements for integrity, competency, and/or financial aspect for independent commissioner and director of CCP SBNT; and
  - g. has share ownership data and supporting documents in the event of any amendment.

#### Article 18

- (1) Bank Indonesia may approve or reject the operating license application as referred to in Article 17 paragraph (1).
- (2) In the approval or rejection as referred to in paragraph (1), Bank Indonesia will at least consider the following:
  - a. review result of completeness and compliance of documents;
  - b. result of fit and proper test of:
    1. independent commissioner; and
    2. director of CCP SBNT ; and
  - c. result of confirmation and/or information from the relevant and authorized institution, if necessary.
- (3) The fit and proper test as referred to in paragraph (2) point b aims to ensure fulfillment of requirements for integrity, competency, and/or financial aspect.
- (4) The approval for or rejection of the operating license application as referred to in paragraph (1) shall be granted not later than 90 (ninety) working days upon receipt of complete and compliant documents.

#### Article 19

- (1) The party who has obtained the operating license for CCP SBNT as referred to in Article 18 paragraph (1) is required to carry on its business activities not later than 60 (sixty) working days as from the operating license issuance date.
- (2) Implementation of the business activities as referred to in paragraph (1) is required to reported by the CCP SBNT to Bank Indonesia not later than 10 (ten) working days after the operational activity implementation date.

- (3) If, after the period as referred to in paragraph (1), a CCP SBNT has not carried on any business activity, the operating license issued by Bank Indonesia will be declared ineffective

#### Article 20

Further provisions on the requirements, supporting documents, and mechanism for operating license application submission are regulated in a Regulation of Member of Board of Governors.

#### Part Five

#### Change of Independent Commissioner and Director of CCP SBNT and Corporate Actions

#### Article 21

- (1) CCP SBNT is required to obtain the approval of Bank Indonesia in the event that it intends to change its independent commissioner and/or director of CCP SBNT.
- (2) In the approval or rejection as referred to in paragraph (1), Bank Indonesia will at least consider the following:
  - a. result of fit and proper test of:
    1. independent commissioner; and/or
    2. director of CCP SBNT; and
  - b. result of confirmation and/or information from the relevant and authorized institution, if necessary.
- (3) The fit and proper test as referred to in paragraph (2) point a aims to ensure the fulfillment of requirements of integrity, competency, and/or financial aspect.
- (4) CCP SBNT is required to obtain the approval of Bank Indonesia in the event that it intends to perform corporate actions in the form of merger, consolidation, acquisition, and spin off .
- (5) Further provisions on the requirements, supporting

documents, and mechanism for approval application for change of independent commissioner and director of CCP SBNT and corporate actions are regulated in a Regulation of Member of Board of Governors.

## CHAPTER IV DUTIES, AUTHORITY, AND OBLIGATIONS OF CCP SBNT

### Part One Duties of CCP SBNT

#### Article 22

- (1) In performing the functions as referred to in Article 2, CCP SBNT has the following duties:
  - a. make a Novation of a contract for SBNT Derivative Transactions between Members;
  - b. Arrange a Clearing of SBNT Derivative Transactions in a multilateral manner;
  - c. manage risks by determining a standard operating procedure for risk management;
  - d. administer Member's SBNT Derivative Transaction portfolios in an accurate, punctual, consistent, and transparent manner;
  - e. administer Default Fund a Contribution, Initial Margin, and Variation Margin;
  - f. prepare and develop a rule book on CCP SBNT applicable to Members;
  - g. interconnect with Financial Market Infrastructure and/or market operators; and
  - h. conduct regular monitoring, evaluation, and control for SBNT Derivative Transaction portfolios.
- (2) Further provisions on duties of CCP SBNT are regulated in a Regulation of Member of Board of Governors.

Part Two  
Authority of CCPSBNT

Article 23

- (1) In performing the functions as referred to in Article 22, CCP SBNT has the following authority:
  - a. approve, reject, and dismiss a Member;
  - b. impose sanctions to a Member;
  - c. determine the amount of Default Fund Contribution, Initial Margin, Variation Margin, and fee;
  - d. determine the valuation method of Initial Margin, and Variation Margin submitted by a Member;
  - e. manage Default Fund Contribution, Initial Margin, and Variation Margin in accordance with the criteria and requirements determined by Bank Indonesia;
  - f. execute Default Fund Contribution, Initial Margin, and Variation Margin in the event of a Member defaults;
  - g. apply close-out netting, early termination, and auction against transactions of the defaulting Member; and
  - h. prepare and determine a draft rule book on CCP SBNT.
- (2) Further provisions on authority of CCP SBNT shall be regulated in a Regulation of Member of Board of Governors.

Part Three  
Obligations of CCP SBNT

Article 24

CCP SBNT is required to have a company governance arrangements that are clear and transparent, fulfill safety

principal, efficiency and support the financial system stability.

#### Article 25

- (1) CCP SBNT is required to apply the prudential principle and effective risk management.
- (2) The prudential principle as referred to in paragraph (1) shall at least consist of:
  - a. business ethics guideline as CCP SBNT or other similar guidelines;
  - b. transparency and information openness;
  - c. dispute settlement mechanism; and
  - d. consumer protection.
- (3) In applying the effective risk management as referred to in paragraph (1), CCP SBNT shall at least have the following:
  - a. sound risk-management framework;
  - b. disaster mitigation plan;
  - c. communication network which meets the principle of confidentiality, integrity, and availability; and
  - d. risk management pertaining to information technology.

#### Article 26

CCP SBNT is required to apply effective management of credit risk and liquidity risk.

#### Article 27

The credit risk management as referred to Article 26 shall be applied at least by:

- a. identifying, measuring, monitoring, and managing credit risk;
- b. having sufficient procedure and mechanism for default waterfall in the event of a Member's default;



- c. allocating certain percentage of the capital of CCP SBNT as part of default waterfall;
- d. maintaining sufficient financial resources to meet liquidity needs on credit exposure to each Member
- e. requesting Initial Margin and Variation Margin in the form of fund and/or high quality securities
- f. applying valuation and haircuts method on Initial Margin and Variation Margin in the form of securities based on the prudential principles
- g. applying concentration limit for Initial Margin and Variation Margin in the form of securities; and
- h. Applying effective Initial Margin and Variation margin system.

#### Article 28

The liquidity risk management as referred to in Article 26 shall be applied at least by:

- a. Identifying, measuring, monitoring, and managing liquidity risks;
- b. maintaining sufficient liquidity to effect settlements; and
- c. conducting stress tests periodically.

#### Article 29

- (1) CCP SBNT is required to implement effective management of business risk, custody risk, investment risk, and operational risk.
- (2) The business risk management implementation as referred to in paragraph (1) shall be applied at least by:
  - a. identifying, measuring, monitoring, and managing business risk; and
  - b. having sufficient liquid net assets to cover potential business losses.
- (3) The custody risk management implementation as referred

to in paragraph (1) shall be applied at least by:

- a. identifying, measuring, monitoring, and managing custody risk; and
  - b. Protecting CCP SBNT's assets and the Member's assets submitted to CCP SBNT.
- (4) The investment risk management implementation as referred to in paragraph (1) shall be applied at least by:
- a. identifying, measuring, monitoring, and managing investment risk of CCP SBNT; and
  - b. investing in instruments with low credit, market, and liquidity risk according to investment criteria determined by Bank Indonesia.
- (5) The operational risk management implementation as referred to in paragraph (1) shall be applied at least by:
- a. identifying, measuring, monitoring, and managing operational risk;
  - b. having sufficient system to support operational activities of CCP SBNT
  - c. having business continuity management.

#### Article 30

- (1) CCP SBNT is required to ensure the finality of SBNT Derivative Transactions settlement process,
- (2) The settlements as referred to in paragraph (1) are conducted by using rupiah funds of CCP for SBNT's account in Bank Indonesia (central bank money).
- (3) In the event that the settlements as referred to in paragraph (1) are conducted in foreign currency, CCP SBNT must have settlement risk mitigation.
- (4) In the event that a physical delivery settlement is agreed, CCP SBNT is required to clearly state its obligations in the contract.
- (5) CCP SBNT must identify, measure, monitor, and manage

the risks potentially rising in associated with the physical delivery settlement.

#### Article 31

In the event of two-linked obligations, CCP SBNT is required to minimize settlement risk in the form of principal risks associated with SBNT Derivative Transactions by the following mechanisms:

- a. delivery versus payment (DvP);
- b. payment versus payment (PvP);
- c. delivery versus delivery (DvD); or
- d. any other mechanism which may minimize settlement risks.

#### Article 32

CCP SBNT is required to have clear defined policy and procedures on :

- a. Member default management; and
- b. segregation and portability of transactions position, Default Fund Contribution, Initial Margin, and Variation Margin of the Member.

#### Article 33

CCP SBNT is required to establish objective, risk-based, and publicly disclosed membership criteria and requirements

#### Article 34

- (1) CCP SBNT must provide effective and efficient SBNT Derivative Transactions services for its Member.
- (2) CCP SBNT is required to use the commonly accepted communication procedures to facilitate the process of e payment, Clearing, settlement, and recording.

Article 35

- (1) CCP SBNT is required to provide comprehensive and transparent information to Member regarding rule book, fees, SBNT Derivative Transactions data and other information related to membership.
- (2) The information on SBNT Derivative Transaction data as referred to in paragraph (1) is delivered by adhering to the principle of individual data confidentiality based on the laws and regulations.

Article 36

Further provisions on obligations of CCP SBNT are regulated in a Regulation of Member of Board of Governors.

CHAPTER V

BUSINESS SEGREGATION

Article 37

In the event that CCP SBNT provides services other than SBNT Derivative Transactions, the CCP SBNT is required to:

- a. separate Default Fund Contribution, Initial Margin, and Variation Margin received on SBNT Derivative Transactions from default fund contribution, initial margin, and variation margin on the other services;
- b. separate the mechanism of order of default waterfall use on SBNT Derivative Transactions from other services default waterfall mechanism.

#### Article 38

CCP SBNT may separate the mechanism of order of default waterfall use on SBNT Derivative Transactions based on the classes of assets and/or types of transactions.

#### Article 39

- (1) CCP SBNT is required to separate its assets, receivables, and liabilities from the assets, receivables, and liabilities of its Members.
- (2) CCP SBNT is required to separate the accounts of Default Fund Contribution, Initial Margin, and Variation Margin of respective Member.
- (3) CCP SBNT is required to treat Default Fund Contribution, Initial Margin, and Variation Margin of each Member including additional assets of the relevant Member's SBNT Derivative Transaction results as the Member's assets.
- (4) In the event that CCP SBNT is declared insolvent, a Member's assets under the control of CCP SBNT may not be used to meet any obligation of the CCP SBNT to any third party or its creditor.
- (5) Further provisions on business segregation of CCP SBNT are regulated in a Regulation of Member of Board of Governors.

### CHAPTER VI

#### CONNECTIVITY OF CCP SBNT

#### Article 40

- (1) CCP SBNT is required to interconnect with Financial Market Infrastructures, market operators, and/or any other infrastructures at the request of Bank Indonesia.

- (2) In the event that CCP SBNT interconnects with Financial Market Infrastructures, market operators and/or any other infrastructures on its own initiative, the CCP SBNT is required to obtain the approval of Bank Indonesia.
- (3) CCP SBNT is required to identify, measure, monitor, and manage risks arising from any transaction and/or cooperation with Financial Market Infrastructures, market operators, and/or any other infrastructures.
- (4) Further provisions on connectivity of CCP SBNT are regulated in a Regulation of Member of Board of Governors.

## CHAPTER VII

### ISSUANCE OF RULE BOOK ON CCP SBNT

#### Article 41

- (1) Preparation of the rule book on CCP SBNT as referred to in Article 17 paragraph (2) point c is required to meet the following provisions:
  - a observe the Principles for Financial Market Infrastructures and/or other laws and regulations related to CCP SBNT;
  - b seek opinions and inputs of market participants and other parties interested; and
  - c obtain the approval of the board of commissioners of CCP SBNT.
- (2) CCP SBNT is required to submit the rule book on CCP SBNT to Bank Indonesia not later than 14 (fourteen) working days upon the enforcement of the rule book.
- (3) Further provisions on the rule book on CCP SBNT shall be regulated in a Regulation of the Member of Board of Governors.

CHAPTER VIII  
MEMBERS OF CCP SBNT

Article 42

- (1) A Member of CCP SBNT is a direct Clearing member consist of:
  - a. general Clearing Member; and
  - b. individual Clearing Member.
- (2) The general Clearing Member as referred to in paragraph (1) point a shall be a Bank which may act for its own interest and/or on behalf of its customers.
- (3) The individual Clearing Member as referred to in paragraph (1) point b shall be a Bank which acts for its own interest.
- (4) The customers as referred to in paragraph (2) are indirect Clearing Members which may have any of the following forms:
  - a. Bank;
  - b. non-Bank financial institution; and
  - c. any other parties to the extent they are not in contravention of the laws and regulations.

Article 43

- (1) CCP SBNT is required to identify, monitor, and manage risks arising from Members and customers which are indirect Clearing members as referred to in Article 42 paragraph (4) (tiered participation arrangements).
- (2) The implementation of obligations as referred to in paragraph (1) to a customer which is an indirect Clearing member as referred to in Article 42 paragraph (4) may be performed by CCP SBNT either directly or through a general Clearing member.

Article 44

Further provisions on Members are regulated in a Regulation of Member of Board of Governors.

CHAPTER IX

INITIAL MARGIN AND VARIATION MARGIN

Article 45

- (1) In carrying on its business activities, CCP SBNT may request an Initial Margin and Variation Margin from its Members.
- (2) In the event that the Initial Margin and/or Variation Margin as referred to in paragraph (1) is the forms of securities, then the securities must be liquid with low credit , market , and liquidity risk.
- (3) Further provisions on Initial Margin and Variation Margin are regulated in a Regulation of Member of Board of Governors.

CHAPTER X

TRANSACTION TYPES AND CRITERIA

Article 46

- (1) Bank Indonesia shall determine the types and criteria for SBNT Derivative Transactions which is required to be Cleared through CCP SBNT .
- (2) The SBNT Derivative Transactions as referred to in paragraph (1) are conducted for risk transfer.
- (3) Further provisions on determination of types and criteria for SBNT Derivative Transactions which is required to be Cleared through CCP SBNT shall be regulated in the provisions of Bank Indonesia.



## CHAPTER XI REPORTS AND SUPERVISION

### Part One

#### Reports

#### Article 47

- (1) CCP SBNT is required to submit reports to Bank Indonesia through the reporting system of Bank Indonesia.
- (2) The reports as referred to in paragraph (1) consist of:
  - a. periodic reports; and
  - b. incidental reports.
- (3) The reports as referred to in paragraph (1) shall be submitted offline in the event of online reporting system is not yet available.

#### Article 48

- (1) The periodic reports as referred to in Article 47 paragraph (2) point a consist of:
  - a. daily and monthly operational reports on SBNT Derivative Transactions;
  - b. quarterly and annually financial reports;
  - c. annual general meeting reports;
  - d. stress test report; and
  - e. annual evaluation reports on compliance with the Principles for Financial Market Infrastructures.
- (2) The incidental reports as referred to in Article 47 paragraph (2) point r b consist of:
  - a. Member's default reports;
  - b. extraordinary general meeting reports;

- c. reports on change of membership of CCP SBNT;
  - d. reports on imposition of sanction by CCP SBNT to Members;
  - e. reports on special events;
  - f. reports on provision of additional services for Members with the approval of the relevant authority; and
  - g. any other reports determined by Bank Indonesia.
- (3) Further provisions on the formats and mechanism of report submission are regulated in a Regulation of Member of Board of Governors.

## Part Two Supervision

### Article 49

- (1) Bank Indonesia conducts supervision of CCP SBNT.
- (2) The supervision as referred to in paragraph (1) is conducted through:
  - a. Indirect supervision; and
  - b. inspection.
- (3) In conducting the supervision as referred to in paragraph (2), Bank Indonesia may coordinate with other competent authority.
- (4) For the supervision purposes as referred to in paragraph (1), CCP SBNT is required to submit data, information, and/or details required by Bank Indonesia.
- (5) CCP SBNT is required to be responsible for the accuracy of data, information, and/or details submitted to Bank Indonesia as referred to in paragraph (4).
- (6) Bank Indonesia may assign any other party for and on behalf of Bank Indonesia to conduct the inspection as referred to in paragraph (2) point b.

- (7) Any party assigned for the inspection as referred to in paragraph (6) is required to maintain confidentiality of data, information, and details obtained from the onsite supervision result.

#### Article 50

In the event that the result of Bank Indonesia supervision shows that CCP SBNT is not sufficient to perform its duties and obligations, Bank Indonesia authorized to:

- a. request CCP SBNT to:
  1. conduct or not to conduct an action; and
  2. terminate the entire or partial activities; and/or
- b. revoke the operating license of CCP SBNT.

#### Article 51

Further provisions on the supervision mechanism shall be regulated in a Regulation of Member of Board of Governors.

### CHAPTER XII

#### ADMINISTRATIVE SANCTIONS

#### Article 52

- (1) Any CCP SBNT which breaches the provisions as referred to in Article 6 paragraph (3), Article 7, Article 8 paragraph (1), Article 15, Article 19 paragraph (1) and paragraph (2), Article 21 paragraph (1) and paragraph (4), Article 24, Article 25 paragraph (1), Article 26, Article 29 paragraph (1), Article 30 paragraph (1) and paragraph (4), Article 31, Article 32, Article 33, Article 34 paragraph (2), Article 35 paragraph (1), Article 37, Article 39 paragraph (1), paragraph (2), and paragraph (3), Article 40 paragraph (1), paragraph (2), and paragraph (3), Article 41 paragraph (1)

and paragraph (2), Article 43 paragraph (1), Article 47 paragraph (1), and/or Article 49 paragraph (4) and paragraph (5) shall be subject to an administrative sanction in the form of a written warning.

- (2) CCP SBNT imposed with the administrative sanction in the form of written warning as referred to in paragraph (1) that:
  - a. breaching the same provisions for 3 (three) consecutive times within 1 (one) calendar year; or
  - b. breaching some provisions as referred to in paragraph (1) for 5 (five) times within 1 (one) calendar year,shall be subject to suspension of its activities as CCP SBNT .
- (3) CCP SBNT shall be subject to sanction of operating license revocation in the event that it does not conduct the sanction of suspension as referred to in paragraph (2).

#### Article 53

Any other parties which are assigned by Bank Indonesia to conduct the supervision as referred to in Article 49 paragraph (6) which breaches the provisions as referred to in Article 49 paragraph (7) shall be subject to an administrative sanction in the form of a written warning.

#### Article 54

Any party which carries on its business activities as CCP SBNT without any license from Bank Indonesia shall be subject to an administrative sanction in the form of a written warning.

#### Article 55

Further provisions on the sanction imposition mechanism are regulated in a Regulation of Member of Board of Governors.

CHAPTER XIII  
CLOSING PROVISIONS

Article 56

This Bank Indonesia Regulation comes into force on 1 June 2020.

In order that every person may know hereof, it is ordered to promulgate this Bank Indonesia Regulation by its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta

On 5 September 2019

GOVERNOR OF BANK INDONESIA,

SIGNED

PERRY WARJIYO

Promulgated in Jakarta

on 9 September 2019

MINISTER OF LAW AND HUMAN RIGHTS OF  
THE REPUBLIC OF INDONESIA,

SIGNED

YASONNA H. L

ELUCIDATION  
OF  
BANK INDONESIA REGULATION  
NUMBER 21/11/PBI/2019  
ON  
CENTRAL COUNTERPARTIES FOR OVER-THE-COUNTER INTEREST RATE AND  
EXCHANGE RATE DERIVATIVE TRANSACTIONS

I. GENERAL

Establishment of a central counterparty (CCP) in Indonesia is an initiative in line with Indonesia's commitment to fulfill the recommendation of the Group of Twenty (G20) adopted from the Financial Stability Board (FSB) and International Organization of Securities Commissions (IOSCO) to mitigate risks arising from over-the-counter SBNT Derivative Transactions. In addition to fulfill the G20 recommendation, the establishment of CCP SBNT also aims to minimize systemic risks, where CCP acts as an independent risk management, accelerates derivative market development process in Indonesia, and strengthens infrastructures in the financial market.

On the other hand, the establishment of CCP SBNT in Indonesia must be immediately conducted considering that countries such as the European Union, the United States of America, and Japan have recently enforced global margin requirement for derivative transactions which is not clear through CCP.

Based on the foregoing considerations, Bank Indonesia undertakes an initiative to regulate CCP SBNT in Indonesia as one of the efforts to improve financial system stability, accelerate development process, and deepen domestic financial market, as well as respond to the G20 recommendation.

## II. ARTICLE BY ARTICLE

### Article 1

Sufficiently clear.

### Article 2

Sufficiently clear.

### Article 3

#### Paragraph (1)

Sufficiently clear.

#### Paragraph (2)

##### Point a

Sufficiently clear.

##### Point b

“Capital” means paid-up capital, profit (loss) balance, and other capital components.

##### Point c

Sufficiently clear.

##### Point d

Sufficiently clear.

### Article 4

#### Paragraph (1)

##### Point a

The term “Independent commissioner” means a member of the board of commissioners who does not have any financial, management, share ownership, and/or family relationships

with other members of the board of commissioners, directors, and/or controlling shareholders or any other relationships which may affect its capability of acting independently.

Point b

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Sufficiently clear.

Article 7

Sufficiently clear.

Article 8

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Examples of direct and indirect ownership are as follows:

PT “ABC” is owned by PT “X” of 30% (thirty percent), PT “Y” of 20% (twenty percent), and PT “Z” of 50% (fifty percent).

PT “X” is owned by “QRS” Ltd of 40% (forty percent). Ownership of PT “X” in PT “ABC” is categorized as direct ownership, while ownership of “QRS” Ltd in PT “ABC” is categorized as indirect



ownership.

Article 9

Paragraph (1)

The term “infrastructure” means Clearing system, data center, and disaster mitigation center.

Paragraph (2)

Sufficiently clear.

Article 10

Sufficiently clear.

Article 11

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Default Fund Contribution, Initial Margin, and Variation Margin are administered by CCP SBNT through calculation, collection, and administration.

Point f

The rule book on CCP SBNT is prepared by referring to the

standard and Principles of Financial Market Infrastructures.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 23

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

The term “close-out netting” means a process to terminate all SBNT Derivative Transactions and other derivative transactions transacted under one master agreement by

netting the value or rights or liabilities of a defaulting party.

Netting may be conducted by referring to the mark-to-market price.

Point h

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 24

Sufficiently clear.

Article 25

Paragraph (1)

Risks managed by CCP SBNT among others consist of legal, credit, liquidity, operational, and other risks.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 26

Sufficiently clear.

Article 27

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Initial Margin and Variation Margin in the form of securities with high quality must have low credit, market, and liquidity risk.

Point f

Sufficiently clear.

Point g

The term “concentration limit” means a limit determined by CCP SBNT to limit the issuer of securities and/or the types of securities received as Initial Margin and Variation Margin.

Point h

The term “effective” means the proper Initial Margin and Variation Margin system for each product, portfolio, and financial market according the classes of assets to be cleared

## Article 28

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Stress testing must at least taking into account the Member and its affiliation defaults scenario which potentially incur tremendous liabilities to be borne by CCP SBNT in an extreme but measured market condition.

## Article 29

### Paragraph (1)

Sufficiently clear.

### Paragraph (2)

#### Point a

Sufficiently clear.

#### Point b

The term “net asset” means the asset of CCP SBNT sourced from the capital or retained earnings.

### Paragraph (3)

Sufficiently clear.

### Paragraph (4)

Sufficiently clear.

### Paragraph (5)

Sufficiently clear.

## Article 30

### Paragraph (1)

The term “final” means a settlement may not be canceled and revoked.

### Paragraph (2)

Sufficiently clear.

### Paragraph (3)

The term “settlement risk mitigation” means using secure and reliable facility, such as payment versus payment or continuous-

linked settlement system.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

#### Article 31

Example of two-linked obligation is as follows:

Bank A as a Member makes FX forward sell transaction that Cleared through CCP SBNT. At the time of settlement, Bank A is required to transfer USD1,000,000.00 (one million United States dollars) to CCP SBNT and receive funds of Rp14,000,000,000.00 (fourteen billion rupiah) from CCP SBNT . The rights and obligations must be settled through payment versus payment (PvP) mechanism.

The term “principal risk” means a risk of losing the full value (whole funds) involved in a transaction.

Example of principal risk is as follows:

In a financial asset transaction, a seller has delivered an asset to a buyer but it has not received any payment.

#### Article 32

The policy and procedure are specified in an internal standard operating procedure and rule book on CCP SBNT.

Point a

Clear policy and procedure for handling defaults by a Member serve as a guideline for CCP SBNT to take steps in order to avoid loss and liquidity pressure as well as ensuring the capability of CCP SBNT to fulfill its obligations.

An example of policy and procedure for handling defaults

experienced is policy and procedure on default waterfall mechanism, to mitigate financial risks due to a Member default.

Point b

Application of segregation and portability is specified among others in an agreement on segregation and portability which protects the position of a Member and its client as well as protecting Default Fund Contribution, Initial Margin, and Variation Margin from the Member default event.

Article 33

Sufficiently clear.

Article 34

Paragraph (1)

The term “Effective” means the capability of CCP SBNT to meet its obligations punctually and fulfill the principle of security in carrying on its activities.

The term “Efficient” means the capability of CCP SBNT to calculate an efficient cost and benefit for the services provided, among others are options of Clearing and settlement types (gross, net, or hybrid), types of products to be Cleared , and the use of communication technology.

Paragraph (2)

An example of common means of and procedure for communication is the use of Society for Worldwide Interbank Financial Telecommunication (SWIFT).

Article 35

Sufficiently clear.



Article 36

Sufficiently clear.

Article 37

Point a

Example:

CCP SBNT separates Default Fund Contribution, Initial Margin, and Variation Margin for SBNT Derivative Transactions from default fund contribution and margin for equity derivative transactions.

Point b

Example:

CCP SBNT separates the order of default waterfall on SBNT Derivative Transactions from the order of default waterfall use for equity derivative transactions.

Article 38

Example:

CCP SBNT separate the order of default waterfall based on the assets classes namely interest rate and exchange rate. CCP SBNT may also separate the order of default waterfall based on the types of transactions namely domestic non-deliverable forward and FX swap .

Article 39

Sufficiently clear.

Article 40

Sufficiently clear.

## Article 41

### Paragraph (1)

#### Point a

The term “principles for Financial Market Infrastructure” means the Principles for Financial Market Infrastructures issued by the Bank for International Settlements (BIS).

The term “other laws and regulations related to CCP SBNT” among others provisions of Bank Indonesia on foreign exchange transactions against rupiah, rupiah interest rate derivative transactions, and provisions of the Financial Services Authority on capital market activities.

#### Point b

The term “other parties interested” among others are Members, parties interested due to financial, transactional, and/or ownership relationships with CCP SBNT.

#### Point c

Sufficiently clear.

### Paragraph (2)

Sufficiently clear.

### Paragraph (3)

Sufficiently clear.

## Article 42

### Paragraph (1)

#### Point a

The term “general Clearing Member” means a Member entitled to make SBNT Derivative Transactions Cleared through CCP SBNT, either for its own purposes and/or for its customers.

Point b

The term “individual Clearing Member” means a Member entitled to make SBNT Derivative Transactions Cleared through CCP SBNT for its own purposes.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The term “indirect Clearing Member” means a Member register its membership through a general Clearing Member.

Article 43

Sufficiently clear.

Article 44

Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Paragraph (1)

Point a

Daily operational reports among others are Clearing reports and settlement reports.

Monthly operational reports among others are recapitulation of activities within the corresponding month, accompanied by development statistics of Clearing and settlement volume, including reports on the order of default waterfall condition.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Paragraph (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Reports on special events include among others reports on breach of the law, dispute with members, sanction imposition

by other authorities, events that cause operational disruption, rating decrease, and capital decrease.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

## Article 49

Paragraph (1)

Supervision by Bank Indonesia on CCP SBNT aims to ensure capital adequacy and resilience of CCP SBNT .

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Other parties assigned by Bank Indonesia among others are public accountants and public appraisers.

In assigning other parties for inspection, Bank Indonesia will issue a letter of assignment and determine the terms or reference.

Paragraph (7)

The obligation to maintain confidentiality of data, information, and details obtained for inspection applies to all commissioners, directors, and employees related to the inspection.

Article 50

Sufficiently clear.

Article 51

Sufficiently clear.

Article 52

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Sufficiently clear.